

# HOUSE BILL REPORT

## ESHB 1785

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### As Passed Legislature

**Title:** An act relating to implementing the recommendations of the joint legislative audit and review committee report regarding capital budget programs investing in the environment.

**Brief Description:** Implementing the recommendations of the joint legislative audit and review committee report regarding capital budget programs investing in the environment.

**Sponsors:** By House Committee on Natural Resources (originally sponsored by Representatives Murray, Alexander, Doumit, Rockefeller, Esser, Sump, Kenney and McIntire).

**Brief History:**

**Committee Activity:**

Natural Resources: 2/12/01, 2/14/01 [DPS];  
Capital Budget: 3/8/01 [DPS(NR)].

**Floor Activity:**

Passed House: 3/13/01, 96-0.  
Senate Amended.  
Passed Senate: 4/12/01, 47-0.  
House Concurred.  
Passed House: 4/17/01, 84-0.  
Passed Legislature.

### Brief Summary of Engrossed Substitute Bill

- The Office of Financial Management (OFM) is required to assist natural resource- related state agencies develop outcome focused performance measures for grant and loan programs that are related to natural resources or the environment to begin implementing the recommendations contained in Joint Legislative Audit and Review Committee (JLARC) report 01-1 on investing in the environment.
- The OFM and Salmon Recovery Office must assist natural resource-related state agencies develop recommendations for a monitoring program to measure outcome focused performance measures.
- The OFM is required to report to the natural resource and fiscal committees of the Legislature on the implementation of this section, along with any recommendations, by July 31, 2002.

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#### HOUSE COMMITTEE ON NATURAL RESOURCES

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Doumit, Democratic Co-Chair; Sump, Republican Co-Chair; Pearson, Republican Vice Chair; Rockefeller, Democratic Vice Chair; Buck, G. Chandler, Eickmeyer, Jackley, Murray and Pennington.

**Staff:** Bill Lynch (786-7092).

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#### HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** The substitute bill by Committee on Natural Resources be substituted therefor and the substitute bill do pass. Signed by 17 members: Representatives Alexander, Republican Co-Chair; Murray, Democratic Co-Chair; Armstrong, Republican Vice Chair; Esser, Republican Vice Chair; McIntire, Democratic Vice Chair; Barlean, Bush, Casada, Hankins, Hunt, O'Brien, Ogden, Poulsen, Reardon, Schoesler, Veloria and Woods.

**Minority Report:** Do not pass. Signed by 1 member: Representative Lantz.

**Staff:** Jeff Olsen (786-7157).

**Background:** Background:

The Joint Legislative Audit and Review Committee (JLARC) recently reviewed 12 capital budget programs administered by six agencies that provide grants and loans to local governments and other entities for environmental quality purposes. The audit noted that the amount of funding provided for these programs has been growing as well as the requests for program funding.

The JLARC final report 01-1 focused on the distinction between distributing versus investing money under these programs. Under an investment approach, information is gathered to determine whether the investments have been effective, and this information is integrated into the decision-making process. Without measurable returns, however, it is difficult to determine whether the investments have been effective. The JLARC report made several recommendations that would incorporate the investment approach into these environmental quality programs. These recommendations include increasing the systematic collection and sharing of information, integrating practices regarding the investment model into program structures and operations, streamlining and better integrating program services to local governments, and ensuring that the funding agencies work together to achieve these goals.

The Independent Science Panel, which was created to provide scientific oversight of the state's salmon recovery efforts, issued a report in December 2000 concerning monitoring. The report noted that although there are a number of monitoring efforts currently utilized by different programs, these monitoring efforts are largely uncoordinated and unlinked among programs, use different indicators, have different objectives, and lack support for sharing data. The report concluded that efforts to recover salmon will not be credible without comprehensive monitoring focused on recovery objectives.

**Summary:**

The Office of Financial Management (OFM) is required to assist the Department of Ecology, Department of Natural Resources, Department of Fish and Wildlife, State Conservation Commission, Interagency Committee for Outdoor Recreation, Salmon Recovery Funding Board, and the Public Works Board within the Department of Community Trade and Economic Development, in developing outcome focused performance measures for administering grant and loan programs related to natural resources or the environment. These performance measures must be used in determining grant eligibility, for program management, and performance assessment. These agencies are required to consult with grant or loan recipients and other interested parties and report to OFM on implementation of this section. The OFM is required to report to the natural resource and fiscal committees of the Legislature on the implementation of this section, along with any recommended changes to current law, by July 31, 2002. These natural resource agencies are required to assist OFM in preparing the report.

The OFM and the Salmon Recovery Office are directed to help these natural resource-related agencies develop recommendations for a monitoring program to measure outcome

focused performance measures. The recommendations must be consistent with the framework and coordinated monitoring strategy developed by the monitoring oversight committee established in SSB 5637.

Several natural resource-related grant or loan programs are required to mandate grant or loan applicants to incorporate a description of the environmental benefits of projects into their grant or loan applications, and these must be considered by the agency in the prioritization and selection process. The agencies must coordinate their performance measure systems with other agencies to the greatest extent possible.

Performance measure requirements also apply to programs administered by the Department of Fish and Wildlife related to protecting or recovering fish stocks that are funded by the capital budget.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** (Natural Resources) The Legislature is frequently re-appropriating money that isn't spent because the projects aren't ready to proceed. Improving state agency coordination is very important. Access to available data and information is critical for making good decisions. We need to shift from a distribution approach to an investment approach. This is a good initial step, but it is a work-in-progress.

**Testimony For:** (Capital Budget) Overall the Office of Financial Management agrees with the goals and results in the JLARC report to target state dollars for environmental improvements. The state has already made steps in this direction, and newer programs, such as the Salmon Recovery Funding Board, are more investment oriented and coordinated with other agencies than older programs. One major obstacle to carrying out the JLARC recommendations is the lack of baseline monitoring data on water quality, quantity, and habitat. In order to establish priorities for funding, there needs to be a database of information to guide investments. There have been attempts to increase monitoring activities, but there has not been funding to support these efforts. Another concern about moving forward is identifying a source of funds used to pay for monitoring. Should the money come out of the grant programs, or should the state pay for the monitoring from state agency programs? Existing programs have current statutory direction, and programs already attempt to prioritize projects for funding. Statutory changes are not needed for some programs to implement recommendations, and some grant programs are already looking at how to implement provisions of the JLARC study.

**Testimony Against:** (Natural Resources) This legislation does not include stakeholder input. This could have major ramifications because if more monitoring requirements are

imposed upon local governments, more money would have to be made available for monitoring. This bill is unclear as to whether it intends better linkage between state agencies regarding what they do now, or a zero-based budgeting approach to these grant and loan programs. The language in the bill suggests that a cost-benefit analysis should be used for evaluating projects, which would work against smaller projects because of economies of scale. Monitoring can be very expensive. Agencies are doing more talking with each other about monitoring. These programs use strict criteria at the front-end of the grant or loan process to help ensure that the projects will provide good results. It is difficult to measure the effectiveness of a particular project - care must be taken to ask the right questions about how it is working.

**Testimony Against:** (Capital Budget) None.

**Testified:** (Natural Resources) (In support) Representative Murray, prime sponsor.

(In support with concerns) Carol Jolly, governor's office; Jim Fox, Salmon Recovery Funding Board; Gerry O'Keefe, Department of Ecology; Mike Ryherd, Washington Wildlife and Recreation Coalition; and Paul Parker, Washington State Association of Counties.

**Testified:** (Capital Budget) (Concerns) Carol Jolly, Governor's Office; Len Barson, The Nature Conservatory; Eric Espenhorst, Friends of the Earth; and Paul Parker, Washington State Association of Counties.